

ITEL

Itel Rail Corporation

55 Francisco Street
San Francisco, California 94133
(415) 984-4000

November 3, 1988

RECORDATION NO. 13648-C
Filing 1488

8 315A034

NOV 10 1988 3 14 PM

Date NOV 10 1988

Hon. Noretta R. McGee
Secretary

Interstate Commerce Commission
Washington, DC 20423

INTERSTATE COMMERCE COMMISSION

Fee \$ 13.00

ICC Washington, D.C.

Re: Schedule No. 3 to Master Lease No. 2197-00 dated May 5, 1988, between Itel Rail Corporation, Itel Railcar Corporation and Hartford and Slocomb Railroad Company

Dear Ms. McGee:

On behalf of Itel Rail Corporation, the above instrument, in three (3) counterparts, is hereby submitted for filing and recording pursuant to 49 U.S.C. Section 11303(a), along with the \$13 recordation fee.

Please record this Schedule No. 3 under Master Lease No. 2197-00 dated May 5, 1988, between Itel Rail Corporation, Itel Railcar Corporation and Hartford and Slocomb Railroad Company, which was filed with the ICC on May 13, 1988, under Recordation No. 15642.

The parties to the aforementioned instrument are listed below:

Itel Railcar Corporation (Lessor)
55 Francisco Street
San Francisco, California 94133

Hartford and Slocomb Railroad Company (Lessee)
P.O. Box 2243
Dothan, Alabama 36302

This Schedule No. 3 covers seventy-five (75) 50'6", 70-ton, Plate B boxcars bearing reporting marks HS 8800-8874.

Please return to the undersigned the stamped counterparts not required for filing purposes, together with the ICC fee receipt and acknowledgment letter.

Very truly yours,

Patricia Schumacker

Patricia Schumacker
Legal Department

TO FILE OF
THE
SECRETARY
NOV 11 3 06 PM '88
MOTOR OPERATING UNIT

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

11-10-88

Patricia Schumacker
Itel Rail Corporation
55 Francisco Street
San Francisco, CA 94133

Dear

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 11/10/88 at 3:10PM , and assigned recordation number(s). 15642-C

Sincerely yours,

Nesta R. McGee
Secretary

Enclosure(s)

NOV 1 9 1988 LOT NO. P21 97-05

SCHEDULE NO. 3 TO MASTER LEASE NO. 2197-00
INTERSTATE COMMERCE COMMISSION

THIS SCHEDULE NO. 3 ("Schedule") to that certain Lease Agreement (the "Agreement") made as of May 5, 1988 between ITEL RAIL CORPORATION and ITEL RAILCAR CORPORATION, severally, as lessors, and HARTFORD AND SLOCOMB RAILROAD COMPANY, as lessee ("Lessee") is made this 28th day of October, 1988, between ITEL RAILCAR CORPORATION ("Lessor") and Lessee.

Lessor and Lessee agree as follows:

1. All terms defined in the Agreement shall have the meanings defined therein when used in Schedule No. 3; provided, however, that the term "Car" when used in this Schedule shall mean only the Cars described in this Schedule.
2. Lessor hereby leases the following Cars to Lessee subject to the terms and conditions of the Agreement and this Schedule:

AAR Mech Desig	Description	Numbers	Length	Dimensions		Doors Width	No. of Cars
				Inside Width	Height		
XM	50'6", 70-ton, Plate B Boxcars	HS 8800-8874	50'6"	9'6"	10'7"	10' Slid- ing	75

3. A. The term of the Agreement with respect to each Car described in this Schedule shall commence at 12 noon on the date such Car is remarked ("Delivery") and shall continue as to all of the Cars described in this Schedule for five (5) years from the earlier of (i) the date on which the last Car described in this Schedule was remarked or (ii) sixty (60) days from the date the first Car described in this Schedule was delivered to Lessee's lines (the "Initial Term"). Upon the delivery of the final Car, Lessor shall provide Lessee with a Certificate of Delivery, in the form of Exhibit A attached hereto, including the Delivery date for each Car and the expiration date of the Agreement with respect to the Cars described in this Schedule. Unless Lessee, within fifteen (15) days of such notice, demonstrates to the satisfaction of Lessor that such date is incorrect, then Lessee shall be deemed to have concurred to such date.
- B. If the Agreement has not been terminated early and no unremedied default has occurred and is continuing under the Agreement, the Agreement shall automatically be extended for five (5) consecutive periods of twelve (12) months each (each such period an "Extended Term") with respect to all of the Cars described in this Schedule, provided that Lessor or Lessee may terminate the Agreement at the end of the Initial Term or any Extended Term as to some or all of

the Cars described in this Schedule by providing not less than ninety (90) days prior written notice to the other.

4. After each Car has been remarked, such Car shall be moved to the railroad lines of the Consolidated Rail Corporation ("User") pursuant to the boxcar use agreement dated September 23, 1988 ("Conrail Use Agreement") a copy of which is attached hereto as Exhibit B between Lessee ("Railroad") and User. To ensure optimal use of the Cars, Lessor agrees to assist Lessee in monitoring Car movements and, when deemed necessary by Lessee and Lessor, to assist in the issuance of movement orders with respect to such Cars to other railroad lines in accordance with the Interstate Commerce Commission ("ICC") and the Interchange Rules.
5. Lessor consents to Lessee's entering into the Conrail Use Agreement provided that Lessor shall perform Lessee's duties under the Conrail Use Agreement, that Lessee shall, only upon Lessor's instructions or consent, exercise its option to terminate, extend, renegotiate or request free storage under the Conrail Use Agreement, and that Lessee shall, if directed by Lessor, assign Lessee's interest in the Conrail Use Agreement to any party designated by Lessor.
6. Lessor shall perform or cause to be performed and pay for all costs and expenses associated with the maintenance of the Cars described in this Schedule except as set forth in Section 5 of the Agreement. Lessee may make running repairs to those parts of the Cars specified in Exhibit C hereto. Subsection 5.A. of the Agreement shall not apply with respect to such Cars.
7. Lessor agrees to reimburse Lessee, within thirty (30) days from Lessor's receipt of the receipted copy of the paid tax bill, for all taxes actually paid in cash by the Lessee resulting from: 1) ad valorem tax assessments on the Cars; and 2) any assessment, levy or impost relating to any Car, the Agreement or the delivery of the Cars which remained unpaid as of the date of the delivery of the Cars to Lessee or which are assessed, levied or imposed during the term of the Agreement, except taxes on income imposed on Lessee, gross receipts or sales or use tax imposed on the mileage charges and car hire revenue or sale or lease of the Cars. Lessor and Lessee will comply with all state and local laws requiring filing of ad valorem returns associated with the Cars. Notwithstanding any portion of this Section, Lessor shall not be responsible for penalty or interest assessments resulting from Lessee's failure to comply with any regulation or statute of any taxing or assessing authority. Lessee shall forward to Lessor upon receipt all correspondence, notifications of proposed tax assessments and tax bills associated with any tax reimbursable to Lessor. Lessor may, in good faith and by appropriate proceedings, contest any assessment, notification of assessment or tax bill. Lessor shall assume full responsibility for all expenses, including legal fees, of such contest.

8. Rent

A. Definitions

- (i) "Eligible Lines" is defined as the railroad lines owned and operated by Lessee as of the date of this Schedule. Unless otherwise agreed by Lessor and Lessee, any lines purchased by Lessee or added to the Eligible Lines during the Term are deemed to be the lines of another railroad company (a foreign road) for the purposes of determining Revenues (as defined in Subsection 8.A.(ii) hereinbelow).
- (ii) "Revenue Rates" is defined as the hourly and mileage car hire rates prescribed for excluded boxcars in the Appendix to the ICC's decision in ICC Ex Parte No. 346, Sub-No. 19, served September 12, 1986, as found at paragraph (c)(3) of 49 C.F.R. 1039.14.
- (iii) "Revenues" is defined as the total revenues, calculated at the Revenue Rates, that are earned or due for the use and handling of the Cars on all railroad lines other than the Eligible Lines, including, but not limited to, per diem and mileage, whether or not collected and received by Lessor, and undiminished by any claimed abatement, reduction or offset caused by any action or failure of Lessee.

(iv)

Car per calendar quarter. (Such amount approximates the Revenues which the Cars would have earned in the aggregate if the Cars had been on railroad lines other than Eligible Lines for ninety percent (90%) of the hours that such Cars were subject to the Agreement during such calendar quarter, with each Car travelling eighty-eight and six-tenths (88.6) miles per day.) The Base Rent for any Car which is not subject to the Agreement for an entire calendar quarter shall be

quarter.

- B. Lessor shall receive all Revenues earned by each car prior to and during the term of the Conrail Use Agreement.
- C. Upon the early termination or expiration of the Conrail Use Agreement, Lessee agrees to pay rent to Lessor for the Cars calculated as follows:

- (i) In the event Revenues earned in any calendar quarter or applicable portion thereof are equal to or less than the

- (ii) In the event Revenues earned in any calendar quarter or applicable portion thereof exceed the Base Rent, Lessor

- D.
 - (i) In the event that as a result of any action or inaction by Lessee, Lessor shall receive or earn for the use of any Cars, Revenues calculated at hourly or mileage car hire rates that are lower in amount than those specified in Subsection 8.A. (ii), Lessee shall pay to Lessor, within ten (10) days of Lessor's request, an amount equal to the difference between the Revenues such Cars would have earned at the Revenue Rates and the amount of revenues actually received or earned for such Cars.
 - (ii) Should any abatement, reduction or offset occur as a result of any action or inaction of Lessee, Lessee shall, within ten (10) days of Lessor's request, reimburse Lessor the amount of such abatement, reduction or offset.
 - (iii) If, at any time during the Agreement, Lessee operates lines other than the Eligible Lines, Lessee shall supply Lessor with records which distinguish the movement of each Car on the Eligible Lines from the movement of such Car on any other lines operated by Lessee.
- E. Any agreement between Lessee and any other party with respect to the Cars ("Third Party Agreement(s)") shall be null and void without Lessor's prior written approval if such Third Party Agreement affects the revenues earned by the Cars.
- F. The calculations required in Section 8 shall be made within five (5) months after the end of each calendar year ("Final Calculations"). Lessor shall, prior to making such calculation, retain the revenues and other payments received by it on behalf of Lessee. Further, since the parties desire to determine on a quarterly year-to-date basis the approximate amounts owed under this Section 8, Lessor shall within three (3) months after the end of each calendar quarter, calculate on a quarterly year-to-date basis the amount due both parties pursuant to this Section. Amounts payable pursuant to the preceding sentence shall be paid promptly following such calculation, provided, however, that within twenty (20) days following the Final Calculation, any amount paid to either party in excess of the amounts required shall be refunded to the appropriate party.

G. If, with respect to any calendar quarter or quarters, Revenues received by Lessor are less than the Base Rent, Lessor may, at any time, at its option and upon not less than ten (10) days' prior written notice to Lessee, terminate the Agreement as to such Cars as Lessor shall determine.

H. If any Car has remained on Lessee's property because Lessee has not given preference to the Cars as specified in Subsection 3.B., Lessee shall be liable for and remit to Lessor an amount equal to the revenues which would have been generated if such Car had been in the physical possession and use of a railroad for the entire

9. Except as expressly modified by this Schedule No. 3 all terms and provisions of the Agreement shall remain in full force and effect.

10. This Schedule No. 3 may be executed by the parties hereto in any numbers of counterparts and all said counterparts taken together shall be deemed to constitute one and the same instrument.

ITEL RAILCAR CORPORATION

HARTFORD AND SLOCOMB RAILROAD COMPANY

BY: *[Signature]*
 TITLE: *President*
 DATE: *October 28, 1988*

BY: *[Signature]*
 TITLE: *President*
 DATE: *10-24-88*

EXHIBIT A

CERTIFICATE OF DELIVERY DATE

Exhibit A to Schedule No. 3 dated as of _____ to Lease Agreement dated as of May 5, 1988, by and between ITEL RAILCAR CORPORATION ("Lessor") and HARTFORD AND SLOCOMB RAILCAR COMPANY ("Lessee").

CAR REPORTING
MARKS AND NUMBER

DELIVERY DATE

The last day of the Term for the above referenced Cars shall be

_____.

ITEL RAILCAR CORPORATION

By: _____

Title: _____

Date: _____

EXHIBIT B

BOXCAR USE AGREEMENT

HARTFORD AND SLOCOMB
THIS BOXCAR USE AGREEMENT (the "Agreement") is made as of this 23rd day
of September, 1988, between ~~THE FERDINAND AND HUNTINGBURG RAILROAD~~
COMPANY ("Railroad") and CONSOLIDATED RAIL CORPORATION ("User").

Railroad and User agree as follows:

1. Railroad shall provide User, subject to the terms and conditions of this Agreement, with seventy-five (75), 50'6", 70-ton Plate B boxcars with 10' sliding doors and bearing the reporting marks ~~PHRR 1900-1974~~ (the "Cars"). Railroad warrants that the Cars shall be suitable for the loading of paper products as specified by the Association of American Railroads ("AAR"). User agrees to and Railroad acknowledges that User intends to make the Cars subject to Car Service Directive No. 145 ("CSD 145") as XM railcars assigned to a pool approved by the Interstate Commerce Commission. HS 8800-8874
9-22-88
2. The term of the Agreement (the "Term") shall commence on October 1, 1988, and shall continue through and including September 30, 1990, unless terminated earlier. At any time after September 30, 1989, either party may terminate the Agreement by providing not less than ninety (90) days' prior written notice to the other.
3. User shall, in connection with the Cars, comply with the handling carrier's obligations under AAR Interchange Rules while any Car is in its possession.
4. User shall ensure that any Cars physically on its lines shall not return to Railroad's lines during the Term.
5. In the event that User, upon Railroad's written consent (such consent not to be unreasonably withheld), enters into any third party agreement ("Third Party Agreement") which allows the use of the Cars by another member of the Paper Products Pool of the AAR Boxcar Pool ("Third Party"), User shall ensure that such Third Party Agreement requires each Third Party to provide Railroad the information on the use of the Cars that Railroad requires pursuant to Section 8 hereinbelow. User shall provide Railroad in writing the terms of each Third Party Agreement as such terms relate to the use of the Cars, and of every amendment to such Third Party Agreement when applicable, within thirty (30) days of the effective date of such Third Party Agreement or of such amendment.
6. A. User may make repairs only to those parts of the Cars specified in Exhibit A attached hereto, to facilitate continued immediate use of each Car, but shall not otherwise make any repairs, alterations, improvements or additions to any Car without Railroad's prior written consent. If repairs other than those specified in Exhibit A are required, User shall promptly notify Irel Railcar Corporation, Railroad's agent. In no event shall User place any Car into a private contract repair facility or allow a private contractor to perform repairs to such Car on the property of User unless such repairs are being performed at the direction and within the control of Railroad or of its agent. Any repairs performed to

the Cars by User at Railroad's expense shall be at a labor rate not to exceed the prevailing AAR Labor Rate unless a different labor rate is mutually agreed upon in writing by the parties. Should the AAR Mechanical Department inspect or investigate User's maintenance facilities and determine that restitution is due owners of equipment repaired at User's facilities, then Railroad shall be entitled to such restitution pursuant to AAR Rule 120 for the Cars that were repaired at User's facilities.

- B. Railroad shall be responsible and shall pay for all repairs other than the repairs to the Cars specified in Exhibit A; provided, however, that in the event that the cost of repairs made to the doors, the door area, the side sheets surrounding the door area and the roof of the Cars, in the aggregate, exceeds thirty dollars (\$30.00) per Car in any calendar month, then Railroad and User shall each be responsible for fifty percent (50%) of all such costs in excess of thirty dollars (\$30.00) per Car for such calendar month. User shall pay to Railroad such fifty percent (50%) within thirty (30) days of receiving an invoice for such amount from Railroad.

- 7. A. Railroad shall grant User per diem reclaim ("Reclaim") on each Car that is loaded by User commencing upon the date and hour such Car is interchanged empty or made empty on User's railroad lines, through and including the date and hour that such Car is released

occurrence ("Maximum Hours"), and provided further that Railroad receives the information required in Section 8 hereinbelow.

- B. Railroad shall allow User to grant to Third Parties under Third Party Agreements of which Railroad has been advised and which Railroad has approved, Reclaim according to the terms of the applicable Third Party Agreement, provided that the applicable Third Party provides Railroad the information required in Section 8 hereinbelow.

- C. In the event that Reclaim for all the Cars in the aggregate exceeds

Reclaim calculations and an invoice from Railroad for such calendar quarter, pay to Railroad all car hire due for each hour in excess

shall not be counted toward such excess Reclaim.

- D. All Reclaim shall be handled in accordance with AAR Car Hire Rule 13, paragraph (d).

- 8. User shall furnish Railroad a report within sixty (60) days after the end of each calendar month that lists for such month the reporting marks and number of each Car that qualifies for Reclaim under this Agreement, the date and hour such Car was received empty or made empty on User's lines, the date and hour such Car was released loaded back onto User's Lines, the total number of Reclaim hours being claimed, and the total dollar

amount in Reclaim being claimed for such calendar month. User shall ensure that each Third Party under Third Party Agreements shall provide Railroad such report within sixty (60) days after the end of each calendar month. Railroad shall pay all Reclaim due, and invoice User for excess Reclaim when applicable, within forty-five (45) days of receiving all such reports for each calendar quarter. In the event that Railroad or User determines and demonstrates to the reasonable satisfaction of the other that any payment was incorrect, any amounts due either party shall be remitted to such party by the other within thirty (30) days of receiving notice of such miscalculation.

9. Upon the expiration or termination of the Agreement with respect to any Car, User shall ensure that each Car on its lines that is returned to Railroad is (a) in as good condition, order and repair as when delivered to User, normal wear excepted, (b) in interchange condition in accordance with AAR and FRA rules and regulations, (c) suitable for loading of the commodities allowed under the Agreement (d) free of all accumulations or deposits from commodities transported in or on it while in the service of User, and (e) free of any and all Rule 95 damage. User shall return each Car in its possession to Railroad at no cost to Railroad at a point on User's railroad lines that shall be mutually agreed upon. In the event that any Car not in User's possession at the termination or expiration of the Agreement is returned to Railroad and requires repair, then User shall be liable to Railroad pursuant to the terms of Subsection 6.B. of the Agreement. User shall remove the Cars from the provisions of CSD 145.
10. During the Term, Railroad may replace any or all of the Cars with similar boxcars upon prior written notice from Railroad to User.
11. All correspondence with respect to this Agreement shall be sent by first class mail with postage prepaid, or given by telex as follows:

If to Railroad:

Manager Car Hire Accounting
~~The Ferdinand and Huntingburg Railroad Company~~
55 Francisco Street
San Francisco, CA 94133

HARTFORD AND SLOCOMB
RAILROAD COMPANY

Thur
9-22-88
[Signature]

If to User:

Mr. H.C. Worth
Director Car Management
Consolidated Rail Corporation
Room 723 One Liberty Place
1650 Market Street
Philadelphia, PA 19103

12. User recognizes that the rights of Railroad are subject and subordinate to the rights of any lessor, owner or secured party with respect to the Cars.
13. This Agreement shall not be modified, altered, or amended, except by an agreement in writing signed by the parties.

14. This Agreement may be executed by the parties hereto in two counterparts and each counterpart taken together shall be deemed to be one instrument.

Handwritten: 9-22-88
HARTFORD AND SLOCOMB
~~THE FERDINAND AND HUNTINGBURG~~
RAILROAD COMPANY

By: *[Signature]*

Title: *Pres.*

Date: *9/27/88*

CONSOLIDATED RAIL CORPORATION

By: *[Signature]*

Title: *VP for Transportation*

Date: *9-14-88*

EXHIBIT A

Boxcars

Angle Cocks	Wheels
Air Hose	Yokes
Train Line	Knuckles/Pins
Operating Levers and Brackets	Slack Adjuster
Sill Steps	Couplers
Grab Irons	Draft Gears
Brake Shoes	Center Plate Repair (Not Replacement of Center Plate)
Brake Shoes	Cotter Keys
Brake Connecting Pin	Roller Bearing Adapters
Air Brakes	Air Hose Supports
Hand Brakes	
Brake Beams and Levers	
Truck Springs	
Door Hardware (Not Replacement of Door)	

EXHIBIT C

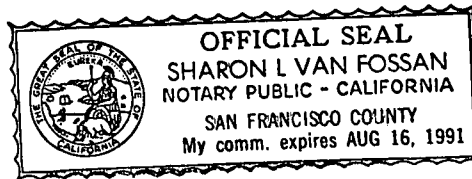
Running Repairs: Boxcars

Angle Cocks	Wheel Assemblies
Air Hose	Yokes
Train Line	Knuckles/Pins
Operating Levers and Brackets	Slack Adjuster
Sill Steps	Couplers
Grab Irons	Draft Gears
Brake Shoes	Coupler Carriers
Brake Shoe Keys	Center Plate Repair (Not Replacement of Center Plate)
Brake Connecting Pin	Cotter Keys
Brake Head Wear Plates	Roller Bearing Adapters
Air Brakes	Air Hose Supports
Hand Brakes	Coupler Gears
Brake Beams and Levers	Load Divider Repairs (Not Replacement)
Truck Springs	
Door Hardware (Not Replacement of Door)	

STATE OF CALIFORNIA)
) ss:
COUNTY OF SAN FRANCISCO)

On this 28th day of October, 1988, before me personally appeared Desmond P. Hayes, to me personally known, who being by me duly sworn says that such person is President of Itel Railcar Corporation, that the foregoing Schedule No. 3 was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Sharon L. Van Fossan
Notary Public



STATE OF ALABAMA)
) ss:
COUNTY OF HOUSTON)

On this 24 day of October, 1988, before me personally appeared C.F. Fischer, III, to me personally known, who being by me duly sworn says that such person is President of Hartford and Slocomb Railroad Company, that the foregoing Schedule No. 3 was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Joan Thompson
Notary Public